

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION 500 WEST TEMPLE STREET, ROOM 525 LOS ANGELES, CALIFORNIA 90012-3873 PHONE: (213) 974-8301 FAX: (213) 626-5427

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS JOHN NAIMO JAMES L. SCHNEIDERMAN

January 17, 2013

TO:

Supervisor Mark Ridley-Thomas, Chairman

Supervisor Gloria Molina Supervisor Zev Yaroslavsky Supervisor Don Knabe

Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe

Auditor-Controller

SUBJECT:

VALLEY COMMUNITY CLINIC - A DEPARTMENT OF PUBLIC

HEALTH HIV/AIDS CARE AND PREVENTION SERVICE CONTRACT

PROVIDER - FISCAL REVIEW

We have completed a fiscal review of Valley Community Clinic (Valley or Agency), which covered a sample of transactions from March 2010 through December 2011. The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with Valley, a non-profit organization, to provide HIV/AIDS outpatient medical care and case management, risk reduction outreach, and mobile HIV testing services.

Our review was intended to determine whether the Agency provided services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, Valley had two cost-reimbursement contracts, and one fee-for-service contract with DHSP. DHSP paid the Agency approximately \$641,000 from March 2010 through December 2011. The Agency provides services to individuals in all Supervisorial Districts.

Results of Review

Valley recorded and deposited payments from DHSP timely, and maintained the required personnel records. However, Valley did not always comply with all requirements of the County contract. Specifically, Valley:

Board of Supervisors January 17, 2013 Page 2

• Charged DHSP \$33,886 (\$30,199 in expenditures and \$3,687 in employee benefits) that were not documented in the Agency's accounting records.

Valley's attached response indicates that they will repay DPH for any costs that cannot be supported.

• Charged DHSP \$4,468 in payroll costs based on budget, instead of the actual hours worked.

Valley's response indicates that they will repay DPH the \$4,468.

• Inappropriately charged DHSP \$2,368 for expenditures that were either not supported by documentation, such as invoices and cancelled checks, or were not allowable.

Valley's response indicates that they will repay DPH the \$2,368.

 Did not have appropriate documentation to support the eligibility of three (20%) of 15 clients reviewed. In addition, the Agency did not have a sliding-fee schedule approved by DHSP.

Valley's response indicates that they will train staff to obtain appropriate documentation, and will submit their sliding-fee schedule to DHSP for approval.

Did not always review and approve bank reconciliations.

Valley's response indicates that they will revise their procedures to ensure bank reconciliations are reviewed and approved by management.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Valley and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations. DHSP indicated they will work with Valley to ensure our recommendations are implemented.

We thank Valley for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA Attachment

c: William T Fujioka, Chief Executive Officer Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health Harriet M. Rolnick, Chair, Board of Directors, Valley Community Clinic Paula Wilson, President/CEO, Valley Community Clinic Public Information Office Audit Committee

VALLEY COMMUNITY CLINIC HIV/AIDS CARE AND PREVENTION SERVICES MARCH 2010 TO DECEMBER 2011

ELIGIBILITY

Objective

Determine whether Valley Community Clinic (Valley or Agency) provided services to clients who met the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) Program eligibility requirements.

Verification

We reviewed the case files for 15 clients who received services from March 2010 to December 2011 for documentation of their eligibility for DHSP services.

Results

Three (20%) of the 15 case files did not contain documentation to support the clients' eligibility for DHSP services. Two case files did not contain current income verification, and one case file was for a client who was not a Los Angeles County resident.

In addition, the Agency did not have a sliding-fee schedule to charge clients a fee based on their ability to pay. The contract requires the Agency to implement a sliding-fee schedule that has been approved by DHSP.

Recommendations

Valley management:

- 1. Ensure staff obtain appropriate documentation of client eligibility for DHSP services.
- 2. Develop a sliding-fee schedule, and submit it to DHSP for approval.

CASH/REVENUE

Objective

Determine whether Valley recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Agency's personnel, and reviewed their financial records and December 2011 bank reconciliation.

Results

Valley recorded revenue in their financial records properly, and deposited DHSP payments into the Agency's bank account timely. However, Valley management did not review and approve the bank reconciliation.

Recommendation

3. Valley management ensure Agency management reviews and approves bank reconciliations.

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed Valley's Plan, and a sample of shared costs the Agency incurred in June and July 2011.

Results

Valley's Plan was prepared in compliance with the County contract, and the shared costs were allocated to the DHSP Program appropriately.

Recommendation

None.

EXPENDITURES

Objective

Determine whether expenditures charged to the DHSP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 18 non-payroll expenditures, totaling \$27,447, that the Agency charged to the DHSP Program from June 2010 through December 2011.

Results

Valley inappropriately charged DHSP \$2,368 (9%) for two questioned expenditures:

- \$1,342 for staff training costs that were not supported by documentation, such as invoices, receipts, or cancelled checks.
- \$1,026 for cell phones that the Agency purchased and received in a subsequent cost reporting period.

Recommendations

Valley management:

- 4. Repay DPH \$2,368.
- 5. Maintain adequate documentation to support Program expenditures, and only charge allowable expenditures to the DHSP Program in the appropriate period.

PAYROLL AND PERSONNEL

Objective

Determine whether Valley charged payroll costs to the DHSP Program appropriately, and maintained personnel files as required.

Verification

We reviewed the Agency's financial records, and traced the payroll costs for seven employees, totaling \$15,198, for November 2011, to the Agency's payroll records and time reports. We also reviewed the personnel files for DHSP Program staff.

Results

Valley charged \$4,468 in payroll costs to the DHSP Program based on their budget, instead of on the actual hours worked. Specifically, one of the seven employees' time records did not include the daily hours worked on DHSP Program-related activities.

In addition, Valley's accounting records did not support \$3,687 in employee benefits charged to the DHSP Program.

Recommendations

Valley management:

- 6. Repay DPH \$8,155 (\$4,468 + \$3,687).
- 7. Charge payroll costs based on the actual hours worked on DHSP-related activities, and maintain supporting documentation.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconciled to the Agency's accounting records.

Verification

We traced the Agency's March 2010 through December 2011 Cost Reports to their accounting records.

Results

Valley's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's accounting records did not support \$30,199 in expenditures that were included in their Cost Reports.

Recommendations

Valley management:

- 8. Repay DPH \$30,199.
- 9. Ensure Cost Reports reconcile to the Agency's accounting records.



6801 Coldwater Canyon Ave. North Hollywood, CA 91605 Administration: 818/763 1718 Fax: 818/763 7231 www.valleycommunityclinic.org

The spirit of community health
A Charitable community organization since 1970

June 15, 2012

Wendy L. Watanabe Auditor-Controller 500 W Temple Street, Room 525 Los Angeles, California 90012

Dear Ms. Watanabe:

In response to the contract review findings of the County of Los Angeles Department of Auditor-Controller for the period March 2010 to December 2011 DHSP HIV/AIDS service contracts award Valley Community Clinic by the Los Angeles Department of Public Health we submit the following:

1. Eligibility

Recommendation 1:

1. Ensure staff obtain the appropriate documentation to support client eligibility. Management Response:

Review documentation requirements and train staff to obtain appropriate support.

Recommendation 2:

2. Develop a sliding-fee schedule, and submit it for approval by DHSP.

Management Response:

The clinic uses sliding fee schedules approved by various government entities. The clinic will submit the appropriate schedules for DHSP approval.

2. Cash/revenue

Recommendation 3:

3. Valley management ensure bank reconciliations are reviewed and approved by management. Management Response:

Bank reconciliations are prepared by management. The clinic will revise procedures to require a management review that ensures separation of duties, and appropriate documentation review.

3. Expenditures

Recommendation 4 and 5:

- 4. Repay DPH \$2,368 (\$1,342 + \$1,026)
- 5. Maintain adequate documentation to support Program expenditures and ensure only allowable expenditures are charged to the DHSP Program.

Management Response:

The clinic will repay the amounts, if it cannot document the cost and period requirements.

4. Payroll and Personnel

Recommendation 6 and 7:

- 6. Repay \$8,155 (\$4,468 + \$3,687).
- 7. Charge payroll costs based on the actual hours worked on DHSP related activities, and maintain supporting documentation.

Management Response:

The clinic will repay personnel and benefit costs not supported. The daily hours of corporate Officers do not include specific activities. Costs are allocated. Benefit costs are based on corporate cost percentages. The contract records are from the costs identified with the staff assigned primary contract responsibility. Cost for staff with multiple responsibilities may not be captured appropriately at the contract department level.

5. Cost Reports

Recommendations 8 and 9

- 8. Repay DPH \$30,199.
- 9. Ensure Cost Reports reconcile to the Agency's accounting records.

Management Response:

Costs that cannot be documented will be repaid. The clinic does believe the allocated costs and related benefit costs of Officers working on the contracts are appropriate. The clinic does recognize that the allocation should have been made in the records, not as secondary schedules. The clinic did not have the ability to correct the recording for "closed" audit periods. Other allocable costs were also not recorded in the records, but cost was determined in secondary schedules.

The clinic appreciated the auditors review. The need to upgrade procedures on allocated and shared costs is recognized. The need to repay for costs not appropriate or supported is recognized by the management of Valley Community Clinic.

Best Regards,

Robert Hartstone

Chief Financial Officer